

# COUNTY OF SUTTER



July 21, 2016

NATHAN M. BLACK, CPA

AUDITOR-CONTROLLER

The Honorable Brian R. Aronson  
Presiding Judge of the Superior Court of California  
County of Sutter  
1175 Civic Center Blvd.  
Yuba City, California 95993

**ENDORSED FILED**

**AUG 25 2016**

SUPERIOR COURT OF CALIFORNIA  
COUNTY OF SUTTER  
CLERK OF THE COURT  
By JASKIE LASWELL Deputy

Dear Judge Aronson:

Submitted herewith is the Auditor-Controller's response to the 2015-2016 Grand Jury Report section on CHEVRON SOLAR ENERGY SAVINGS, and PENSION ENHANCEMENTS: A CASE OF GOVERNMENT CODE VIOLATIONS AND A LACK OF TRANSPARENCY, and A NEED FOR GREATER PUBLIC TRANSPARENCY: CIVIC OPENNESS IN NEGOTIATIONS (COIN). Penal code §933(c) and §933.05 require elected officers to respond within 60 days to the findings and recommendations of the Grand Jury. This response is submitted directly to you pursuant to Penal Code §933.05.

I commend the individual members of the Grand Jury for their service to the public.

## **Chevron Solar Energy Savings Project**

### **Response to Findings Identified**

F1: I agree without reservation.

F2: I agree without reservation.

F3: The use of rents and or leases to account for the payments did not have the effect of removing the Auditor-Controller's jurisdiction and oversight. However, it was an inappropriate method of accounting for a capital lease contract pursuant to Generally Accepted Accounting Principles (GAAP), of which the Governmental Accounting Standards Board (GASB) agrees. After consultations with county leadership we were able to properly account for the lease through capitalization.

F4: This finding seems consistent with my understanding, however, I was not involved with site selections nor was I involved in evaluating the airport or an alternative site. It is my hope and desire that the Auditor-Controller's office be involved on any future significant projects.

F5: My understanding from attending certain building committee meetings is that the solar panels to be installed at Mental Health will be installed at Mental Health, but there has been a delay as the county re-evaluates which part of the site will host the panels.

**RECEIVED**

**JUL 22 2016**

F6: While I was not a part of the evaluation/suitability planning for this project, there appears to be merit in your finding that incomplete research resulted in certain project delays. It should be noted that I was not in office at the time the Board of Supervisors approved this project and associated contracts in February 2014.

F7: I agree without reservation.

**Response to Recommendations Identified**

R1: I agree without reservation.

R2: I agree without reservation.

R3: I agree without reservation.

R4: I agree without reservation. During fiscal year 2015-2016 the Board of Supervisors approved the reinstallation of an internal auditor position within the Auditor-Controller's department. In June of 2016 an individual was hired into the position and is currently conducting a countywide risk assessment in order to commence internal audits in the near future.

**Pension Enhancements:  
A Case of Government Code Violations and a Lack of Transparency**

**Response to Findings Identified**

F1: I agree without reservation.

F2: I agree without reservation.

F3: I agree without reservation.

F4: I agree without reservation.

**Response to Recommendations Identified**

R1: I agree without reservation. The Auditor-Controller, Treasurer-Tax Collector and County Administrative Officer are currently developing two policies that will assist in curtailing these risks. One policy would formalize the budget amendment process amongst county departments while the other will create and maintain a debt advisory committee made up of the aforementioned department heads that will evaluate all debt issuances considered in the future.

R2: I agree without reservation. With the Board of Supervisors blessing my office would be happy to accommodate this request.

R3: I agree without reservation. As previously described in the foregoing, the county has approved and hired an internal auditor within the Auditor-Controller department.

R4: While I agree that transparency in government is of paramount importance, there are situations where expediency is appropriate if not preferred if the business is routine in nature. The Board of Supervisors, however, should not seek expediency when the item is non-routine or in some other way in need of greater discourse and discussion before being voted upon.

**A Need for Greater Public Transparency:  
Civic Openness in Negotiations (COIN)**

**Response to Findings Identified**

F1: I agree in part and diverge in part. Although I am not party to all contract negotiations, and specifically not party to union negotiations, the county is represented by the Board of Supervisors whom are elected by the public. There have been, on occasion, poorly negotiated contracts which may have been improved had constituent input been sought in the process. My interest primarily pertains to the inclusion of the auditor-controller's office in contract negotiations as I am the duly elected fiscal representative of the people with a specific interest in financial accountability. Additionally, we bring a unique perspective based on our technical training that generally adds value to any negotiated agreement.

F2: I agree without reservation.

**Response to Recommendations Identified**

R1: I agree with the concept, however I am not an expert on the impact of a COIN ordinance, especially as it is a new phenomenon in California. Although COIN was adopted in Orange County it was recently suspended due to pending litigation<sup>1</sup>. The total impact of the ordinance on transparency and other espoused benefits is perhaps unclear at this time.

R2: I agree without reservation. As previously described in the foregoing, the county has approved and hired an internal auditor within the Auditor-Controller department.

Pursuant to §933(c), the Auditor-Controller as an elected official is also required to send a copy of this report to the Sutter County Board of Supervisors, after which they will have another 30 days to write their response. I am complying with that requirement. I trust that this response will likewise be distributed to all recipients of the Grand Jury's report and all recipients of the Board of Supervisors' response.

Sincerely,



Nathan M. Black, CPA  
Auditor-Controller

cc: Sutter County Board of Supervisors  
Sutter County Clerk-Recorder

NMB:jj

---

<sup>1</sup> Orange County Municipal Code Section 1-3-12(h) found at:  
[https://www.municode.com/library/ca/orange\\_county/codes/code\\_of\\_ordinances?nodeId=TIT1GOAD\\_DIV3PESA\\_ART1GEPR\\_S1-3-12CIOPNECO](https://www.municode.com/library/ca/orange_county/codes/code_of_ordinances?nodeId=TIT1GOAD_DIV3PESA_ART1GEPR_S1-3-12CIOPNECO)